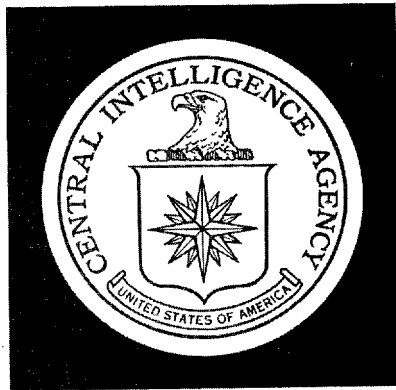


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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(Information as of noon EDT, 17 August 1967)

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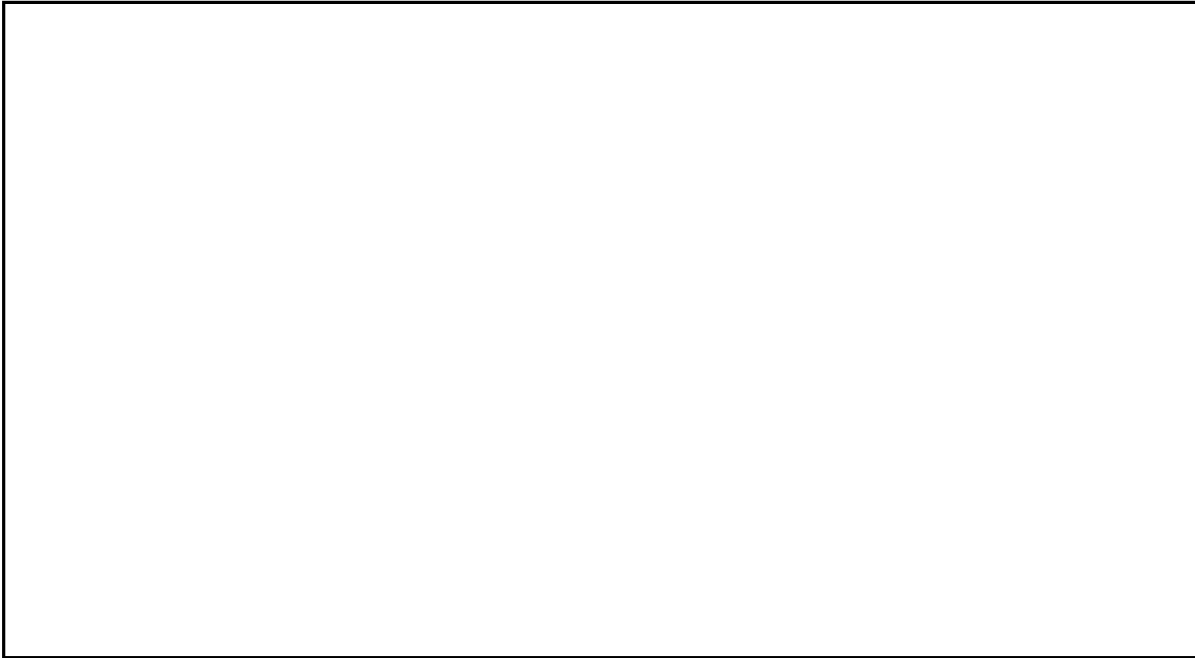
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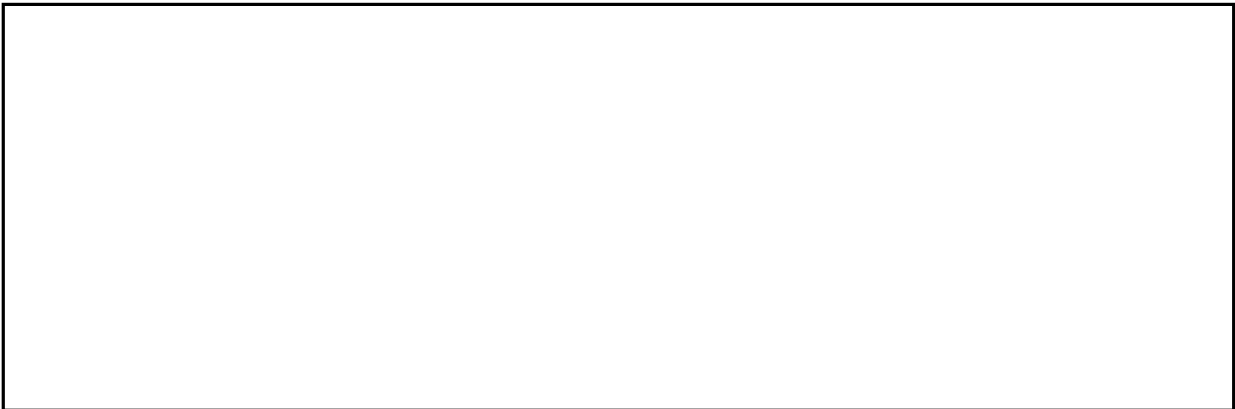
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No basic solution is in sight for either the mounting inflation or the division within the governing party.



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FAR EAST

Maoist leaders appear to be mounting a new campaign in an attempt to purge military leaders who oppose the Cultural Revolution. New poster attacks on nine ranking members of the military hierarchy have appeared at the same time as propaganda blasts against Peng Te-huai, who was ousted as minister of defense in 1959. These seem to be intended to provide a theoretical justification for large-scale removals of offending military leaders. The timing of these attacks suggests that they are a response to the refusal of military leaders to support the Maoists wholeheartedly. Reports of military involvement in the increasingly bloody fighting now going on throughout China indicate that in many cases local military forces support the anti-Maoist workers and peasants.

A period of growing strain may be approaching as Peking grapples with the dual problem of agricultural procurement and distribution. Local authorities and peasants will probably be more resistant than ever to relinquish their own surplus food for transport to deficit food areas, and distribution will be further complicated if the railways continue to be as untrustworthy as they have been recently.

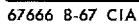
Communist military activity in South Vietnam last week focused mainly on small-scale attacks against remote government outposts and Revolutionary Development teams. Main force units, possibly preparing for a new offensive, shied away from encounters with US and allied forces. Civilian presidential candidates finally hit the campaign trail while trying at the same time to extract maximum advantage from the government's clumsy handling of arrangements for joint campaigning.

North Korean incursions into the Demilitarized Zone (DMZ) and infiltration of South Korea are continuing at a high level. There already have been 280 incidents this year against UN forces on the DMZ; the highest annual total of the three previous years was 55 in 1965. Pyongyang may hope the increased activity will tend to discourage Seoul from sending more troops to Vietnam.

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VIETNAM

Communist-initiated military activity was again concentrated largely against South Vietnamese military forces and Revolutionary Development personnel this week. The enemy's main force units possibly building up for a pre-election offensive, continued to avoid major ground confrontations with US and allied forces.

In the largest battle of the week, an estimated battalion-size enemy force--believed subordinate to the North Vietnamese Army (NVA) 2nd Division--attacked elements of South Vietnam's 39th Ranger Battalion in Quang Tin Province. The Rangers, participating in a joint US/South Vietnamese operation against elements of the NVA 2nd Division, suffered 143 casualties compared with the 150 enemy soldiers reported killed.

To the north in Quang Tri Province, a South Vietnamese Army (ARVN) subsector headquarters came under heavy attack, resulting in damage to 75 percent of the facility. Fifty-five of the defenders, including two US Marines, were killed. In contrast, only 24 of the attackers were reported killed.

ARVN troops suffered nearly 100 casualties and lost large quantities of weapons and equipment during a Communist raid on an ARVN base camp some 60 miles southwest of Saigon in southern Kien Phong Province as the Viet Cong continued their assaults on lucrative South Vietnamese military targets throughout the Mekong Delta provinces. Again, known enemy losses were slight.

Attacks against Revolutionary Development (RD) units were reported throughout the country. In addition to the slaying of the Quang Tri Province RD chief, a 200-man enemy force attacked an RD area in Bac Lieu Province, killing 18 and wounding 29. Six of the enemy were killed by an ARVN reaction force that forced the attackers to withdraw.

There are several possible explanations for the relatively high number of casualties suffered by the South Vietnamese--in comparison with known enemy losses--during the recent attacks on static government positions. The attackers have the obvious advantage of surprise, for example, and in addition have good intelligence on their objectives. Many of the recent

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attacks, moreover, have been targeted against remotely situated and lightly protected ARVN outposts and RD units, thus increasing the likelihood of a serious defeat for the defenders.

Manpower Losses During Infiltration

Analysis of very limited information thus far available indicates that units infiltrating from North to South Vietnam in 1966 suffered significant losses from illness, death, and desertions--perhaps as many as 10,000 to 15,000 men.

The largest portion of the losses--up to three fourths--is attributed by prisoners to incapacitating illness, but desertions and deaths from air strikes were also significant factors. Malaria is cited most frequently as the cause of sickness and death among infiltrators. It is estimated that as many as half of all infiltration troops suffer to some degree from malaria en route, and as many as 20 percent of those who arrive in the South are not immediately fit for combat although most of these men probably recover sufficiently to fight.

Although information for 1965 and 1967 is extremely limited, it is believed that losses in 1966 increased over those in

1965, and may be continuing at relatively high levels in 1967. One reason for the increase in 1966 could be the great expansion in the number of infiltrators, which more than doubled compared with 1965 and required a significant lowering of draft standards both in respect to age limits and physical fitness.

Presidential Election Development:

South Vietnam's second week of campaigning for the presidential election started badly but closed on a hopeful note. The civilian candidates spent the bulk of their time extracting as much political mileage as possible from allegations of government mishandling of official campaign facilities. Despite a partial boycott of the joint provincial tours and threats of withdrawal, the civilians are presently back on the trail, holding a scheduled press conference and their first joint speaking engagement outside of Saigon before a small, mildly interested audience.

Although the civilians may yet carry out their implied threat to withdraw their candidacies en masse if alleged inequities continue, a more likely consequence is that Chief of State Thieu and Premier Ky will tone down their high-pressure tactics. This could in turn sharpen the contest between

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Thieu and civilian front-runner Tran Van Huong.

Various sources indicate that candidate Phan Khac Suu is lagging behind, especially in the populous delta. On the other hand, Ha Thuc Ky, the Dai Viet nationalist party candidate from central Vietnam, is exhibiting considerable strength in terms of campaign activity outside his I Corps stronghold.

Since candidates are not obligated to participate in or restrict themselves to the official joint appearances, most of them have taken advantage of the lib-

eral interpretation of the electoral regulations to arrange separate press conferences. Thieu and Ky have almost completely ignored the joint appearances, preferring instead to stump in the provinces in conjunction with quasi-official government excursions.

The mood and preference of the electorate and, probably more importantly, of the many political and religious vote-controlling blocs are still difficult to ascertain. It would appear, however, that the more significant groupings are as yet uncommitted. [REDACTED]

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CHINESE MILITARY LEADERS UNDER NEW ATTACK

Faced with increasingly serious problems in the provinces and further indications of military resistance to the Cultural Revolution, Maoists in Peking are lashing out in a new attack on military leaders in the capital. Developments in the campaign thus far suggest that a major purge of military officials is being planned, perhaps ultimately aimed at regional military leaders who are opposing Mao's ruinous "revolutionary" policies.

According to posters seen by Japanese reporters in Peking during the past several days, nine senior officers have recently been brought under fire--four of them for the first time. Poster attacks and denunciation rallies against the officers have been accompanied by major articles in Red Flag and People's Daily denouncing the alleged anti-Mao conspiracy of former defense minister Peng Te-huai--ousted in 1959. Peking has also released what purport to be key excerpts of the central committee directive issued at the time Peng and three other important officials were brought down. This document stresses the wide ramifications and serious nature of the alleged plot. The editorials link Peng's alleged crimes with the current Cultural Revolution by asserting

that the "Chinese Khrushchev"--Liu Shao-chi--had supported him both in 1959 and later. They present the struggle against Peng and his "clique" as a major problem of current significance. These articles appear intended to provide a justification for a broader political assault on the armed forces.

The most important officer now under attack is Hsiao Hua, director of the armed forces' General Political Department (GPD), and identified as a member of the Military Affairs Committee (MAC) by a Peking broadcast on 31 July. Also under renewed attack is Hsu Hsiang-chien, a one-time marshal and still nominally a member of the MAC, who headed the armed forces Cultural Revolution Group until he was removed from it last April. Under fire along with these two men are the four ranking deputy directors of the GPD, the political commissar of the military railway corps, the commander of artillery forces, and the third deputy chief of staff.

Events thus far suggest that the the new campaign against military leaders is a response to resistance from commanders outside Peking. It follows closely after the dismissal of the defiant Wuhan Military Region commander. Poster

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seen in Peking on 15 and 16 August have explicitly linked the new drive with the "Wuhan problem" by charging that the GDP leadership had "blocked information" concerning it.

Peking leaders have openly admitted serious difficulties in many areas of China. According to recent poster reports, Public Security Minister Hsieh Fu-chih declared on 10 August that serious "armed struggles" were going on in Wuhan, Changsha, and four cities in Kiangsi Province. Propaganda director Wang Li is reported to have said that the commanders of the Nanking and Foochow military regions are "opposed" to the MAC in Peking.

Maoist Red Guards are still encountering violent opposition in Szechwan, Yunnan, and Kwangtung provinces, and in some areas appear to be getting the worst of it.

[REDACTED] a clash between opposing Red Guard factions in the Honan District on 8 August in which both sides were armed with rifles and revolvers. Other reports indicate that air travel to and from Canton was suspended from 12 to 17 August and that even telephonic connections between Canton and Peking were cut.

Numerous posters observed early this month reported bloody clashes in all three Manchurian provinces and a member of the Cultural Revolution Group was sent from Peking to "settle the problem." A poster observed on 12 August stated that the leadership of the Northeast Party Bureau had been "suspended" and that bureau first secretary Sung Jen-chiung--a Peking-supported "revolutionary cadre"--had been recalled to the capital. Fighting apparently continues, however, and may be going against Maoist forces.

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CULTURAL REVOLUTION COMPLICATES CHINESE FOOD PROBLEMS

Peking may be facing increasing food problems as a result of the breakdowns of order caused by the Cultural Revolution. The crux of the matter lies not so much in the quantity of grain taken from the fields, but in what happens to it afterward. Getting the harvest into government graneries, from which it can be distributed to deficit areas and to the cities, is of vital importance.

Unless the crop is considerably greater than now seems probable, there is likely to be more resistance this year than in the past to government efforts to procure grain. Local officials will be understandably anxious to retain resources needed by the people in their own areas. The farmers, released from the tight controls exercised by party administrators in years past, will probably make efforts to retain food for themselves and will be less willing to accept the selective malnutrition that often results when the grain is transported away to deficit areas and to cities.

Peking's propaganda has also offered some indirect suggestions that the regime may have been having procurement difficulties since early January. The government has insisted, for example, that a handful of reactionaries were deluding peasants into demanding a larger share of the crop and were making illegal distributions from state stocks. It appears, however, that the peasants themselves were simply taking advantage of their first opportunity under Communist rule to vent their dissatisfaction over years of austerity-level rations. As recently as 13 July, the Ministry of Food complained that peasants were still demanding more grain and were speculating in food on a scale large enough to worry the government seriously. Moreover, the scattered reports of successful state procurement that have been made so far in 1967 have been outweighed by a profusion of press material inveighing against sabotage of grain distribution by reactionaries.

The size of the crops harvested so far in 1967--less than half of the year's total--has been at best only slightly better than the mediocre 1966 harvest. Food supplies have been tight since mid-1966, however, and there is not much of a safety margin in consumption levels.

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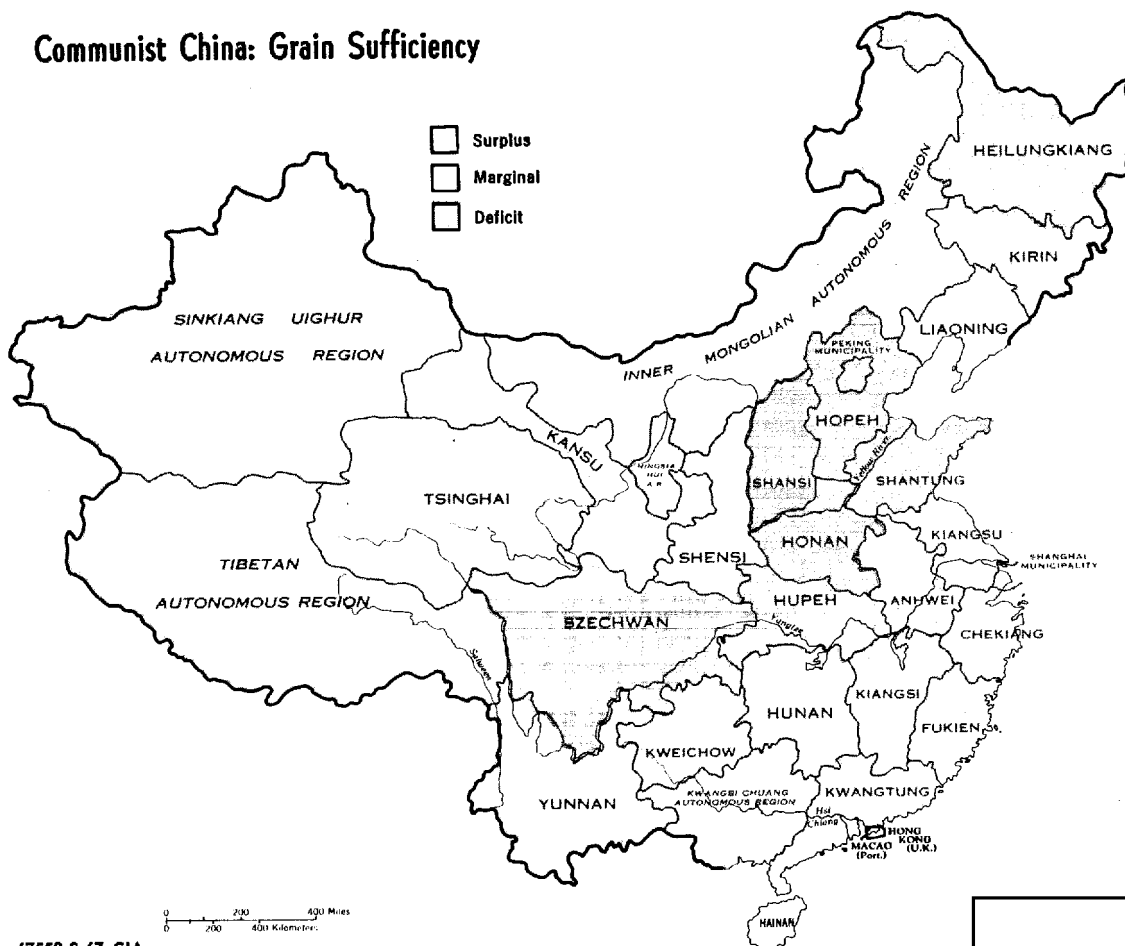
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To move grain from surplus to deficit areas, the railroads and inland waterways are indispensable. Winter crops were harvested in June and July, when sporadic but widespread stoppages were once again afflicting all forms of transport after a period of comparatively normal operation from February through April. Di-

rect evidence of the effects of transport failures on food distribution is scarce. Most of the grain transferred from surplus to deficit areas would have to be handled by the railroads, however, and it is these that have suffered more from disruptions during 1967 than any other form of transportation.

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Communist China: Grain Sufficiency



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CHINESE HARASSMENT IN DAIREN CONDEMNED BY USSR

Premier Kosygin's strong personal protest against China's detention of the Soviet freighter Svirsk in Dairen marked a week of intensified Sino-Soviet recriminations.

Moscow has publicized the incident widely and protest meetings were organized in several Soviet cities. On 14 and 15 August, Red Guards subjected the Soviet Embassy in Peking to its severest harassment since February, and Pravda reacted with a blistering attack on "Mao and his group."

The trouble apparently began on 11 August when the Chinese detained the Svirsk, seized its captain and some crew members, and subjected the ship and its crew to various indignities and violence. According to TASS, "Maoist thugs" had become incensed at the behavior of a Soviet seaman whom they pronounced "guilty" of refusing to accept a badge bearing a picture of Mao Tse-tung.

Kosygin's publicly announced remonstrance was sent off to Chou En-lai on 12 August. The Chinese had ignored an official Soviet protest the day before. Kosygin charged the Chinese authorities with "further aggravation of Soviet-Chinese relations" through premediated provocation, and hinted that such provocations may endanger Sino-Soviet trade--virtually the only interstate tie that retains a semblance of normalcy.

On 13 August, the Chinese released the Russian seamen and allowed the Svirsk to sail. Soviet media quickly claimed that "the Chinese were compelled to heed the demand of the head of the Soviet state." Russian propaganda commentary has cited the episode as an additional manifestation of Mao's attempt to overcome widespread discontent at home by channeling popular indignation against supposed enemies abroad. China was also accused of collusion with the US and of disruption of united Communist support for Hanoi.

The quarrel in Dairen was not the first such incident; a similar--though less violent--clash involving another Soviet cargo ship took place last December in the same port. Recently several ships from other lands have undergone similar harassment in Chinese ports.

Should Chinese harassment continue, the Soviets might decide to accept the consequences of a further drop in commercial relations.

Sino-Soviet trade has already fallen off to about \$300 million in the past year from a peak of \$2 billion in 1959. This year's trade agreement was not signed until late July after more than three months of negotiation.

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LOCAL CHINESE COMMUNISTS PROVOKE INCIDENTS ALONG HONG KONG BORDER

Recent incidents along the Sino - Hong Kong border appear closely associated with the fanaticism resulting from the Cultural Revolution in China and do not seem to have been staged under direct orders from Peking or from Kwangtung Province authorities.

Peking's propaganda commentary continues to assert that primary responsibility for the struggle against the British rests with the Hong Kong population and has avoided any specific commitment. Moreover, Chinese troops on the border have intervened to prevent major incidents.

The local military commanders did not try to stop the recent low-level incidents, however, and in the absence of instructions from Peking, they are probably reluctant to take action unless the situation threatens to get out of hand. Sporadic harassing tactics are thus likely to continue, even though Peking still

seems bent on avoiding a major crisis at this time.

In the most significant of these recent incidents, about 30 Chinese crossed the border on 11 August and attacked the police post at Man Kam To, forcing a British officer there to sign an agreement accepting Communist demands for removal of border obstacles and for compensation for alleged injury to a Chinese farmer.

The Hong Kong authorities, already harassed by terrorist activities in the colony, have imposed stringent controls at border crossing points. They also repudiated the agreement signed by the officer as having been made under duress. They are concerned, however, that Red Guards and peasants might head toward the colony either to demonstrate against the Hong Kong Government or to escape mainland turmoil. Although the food supply from the mainland remains almost normal, serious disruption could result from any major incident. 25X1

SOUTHEAST ASIAN NATIONS FORM NEW REGIONAL GROUP

The formation of the Association of Southeast Asian Nations (ASEAN) is an important step toward regional cooperation although pre-existing divisive factors will continue to pose obstacles.

The new agreement--announced by Indonesia, the Philippines, Thailand, Singapore and Malaysia on 8 August--calls for "joint endeavors" to "accelerate the economic growth, social progress, and cultural development of the region." The preamble to the agreement affirms that all foreign

bases are "temporary and remain only with the express concurrence of the countries concerned." This statement, inserted primarily at the insistence of Indonesia, represents an effort to attract membership from such countries as Burma and Cambodia. The Philippines had originally wanted to omit any reference to security or base matters.

Future plans call for a rotating annual ministerial meeting with the host country chairing a standing committee. A national secretariat will

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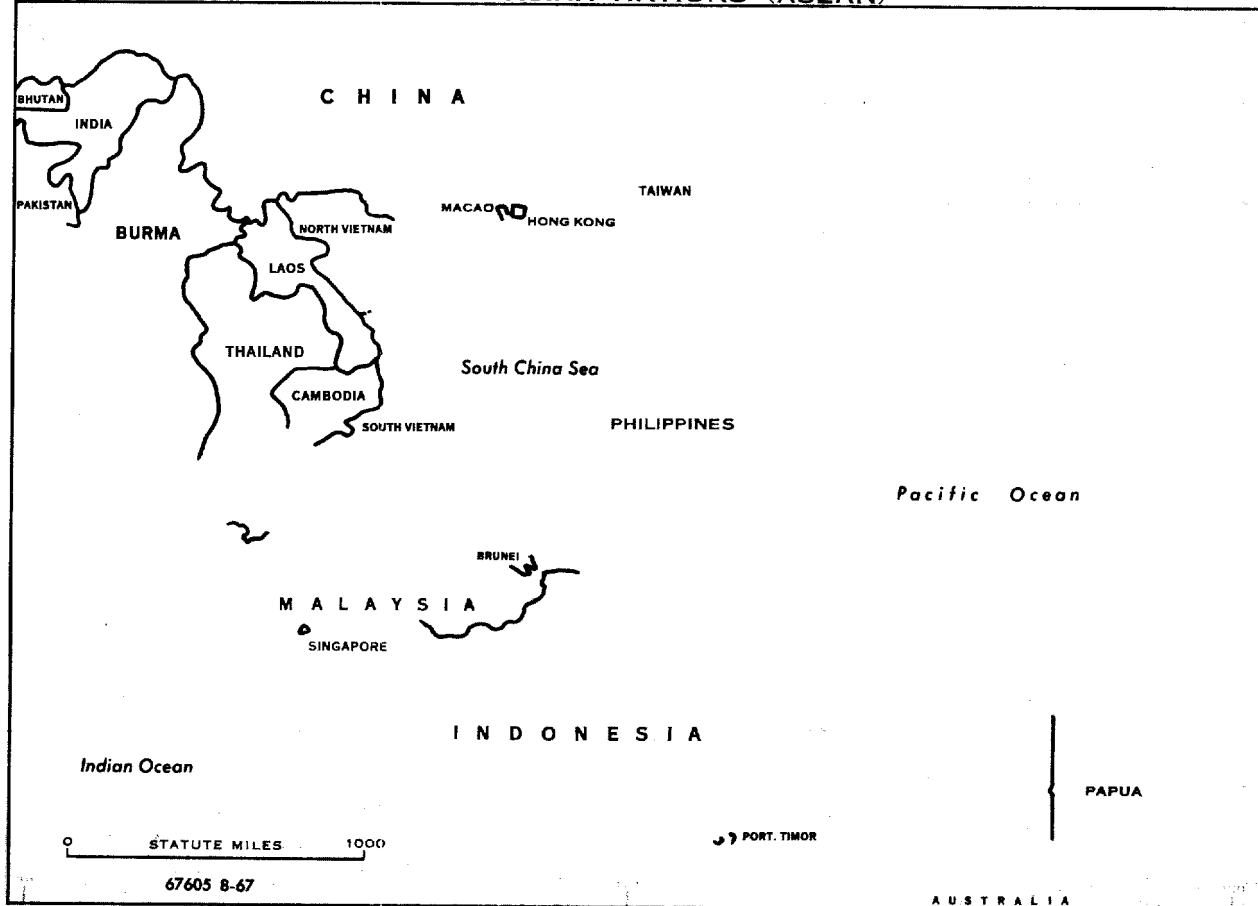
be created in each member country, and ad hoc committees may be created to deal with specific subjects. The 1968 ministerial meeting is to be held in Djakarta. In the meantime, the standing committee will consider proposals for cooperation in tourism, shipping and fisheries, and trade expansion.

The pact has met with sharp criticism from the Communist countries. Peking's New China News Agency condemned the grouping as a "twin brother of SEATO and part of the US imperialist ring of encirclement around China." Moscow has been more selective in its criticism, portraying Thailand and the Philippines as the main villains.

The major significance of the organization appears to be its involvement of Indonesia in a closer relationship with its more Western-oriented neighbors. However, long-standing divisive factors will continue to hamper progress in carrying out meaningful endeavors. Among such factors are Malaysia's underlying joint fears of Indonesian ambitions for hegemony in Southeast Asia. Relations between Malaysia and the Philippines, moreover, have long been irritated by the latter's territorial claim to a large part of Sabah, the Malaysian state in northeastern Borneo, a claim the Philippines does not appear willing to relinquish.

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ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN)



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EUROPE

A draft nonproliferation treaty with the safeguards article left open will probably be submitted to the Geneva disarmament conference next week by the USSR and the US. The safeguards question will dominate the negotiations ahead at Geneva, but such problems as security assurances for nonnuclear states and their access to atomic energy for peaceful purposes will also be difficult.

Tito's swing through the Middle East ended on 17 August. He was unable to sell his plan for a Middle East settlement and, to blur his failure, the Yugoslav press has stressed that the trip was made only to permit a useful "exchange of views."

Premier Kosygin's strong personal protest against China's detention of the Soviet freighter Svirsk in Dairen (see article on page 10) marked a week of intensified Sino-Soviet recriminations. Moscow has publicized the incident widely and protest meetings were organized in several Soviet cities.

In their talks in Washington this week, President Johnson and West Germany's Chancellor Kiesinger put major stress on the continuing importance of NATO and the need to maintain Western military strength while at the same time pursuing detente with Communist nations. Bonn, however, apparently still intends to make small cuts in its armed forces. Further discussions of the troop question are expected both on a bilateral level and within NATO.

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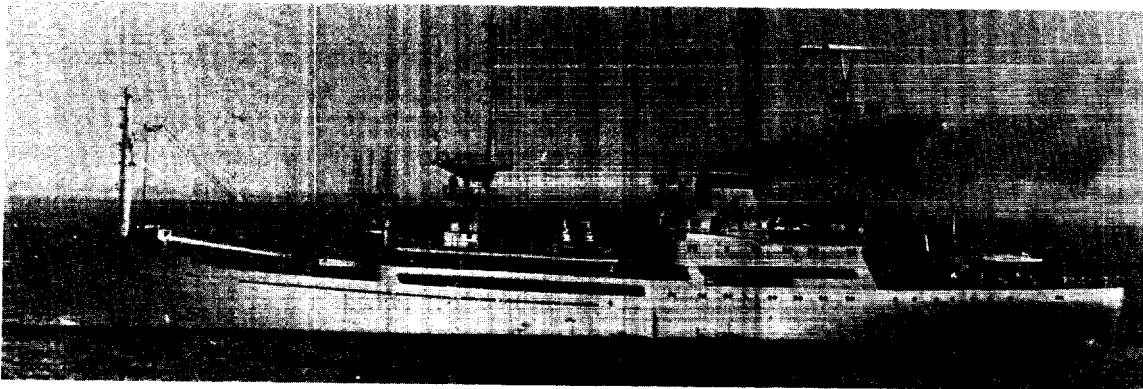
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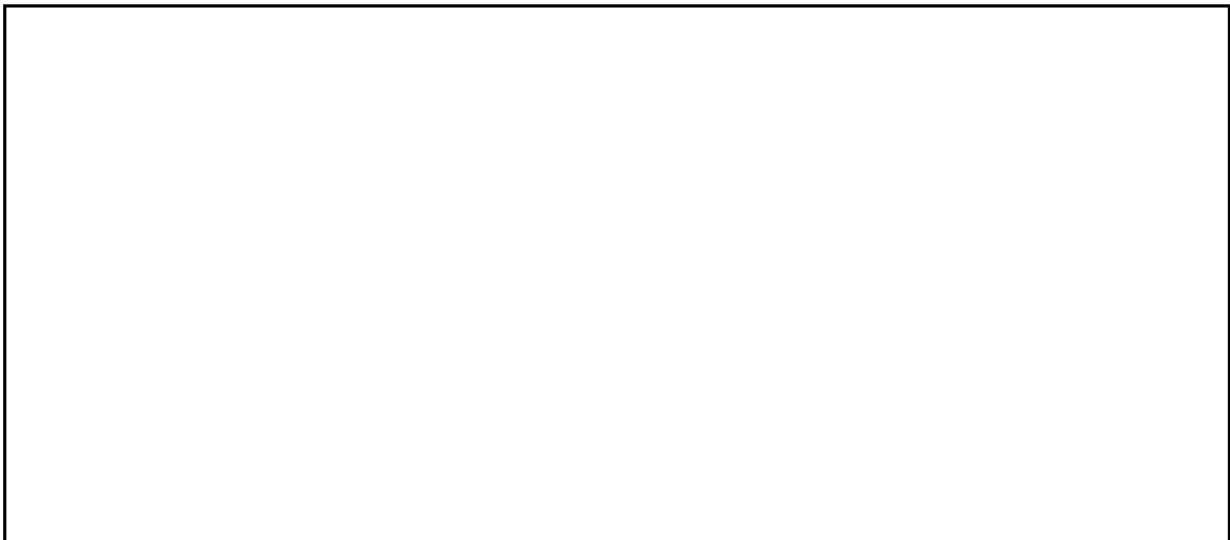


Cosmonaut Vladimir Komarov



**Converted Vytegrales-class Timber Carrier
Borovichi - Kegostrov - Morzhovets - Nevel**

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SOVIET UNION PREPARING FOR MAJOR SPACE EVENTS

The movements of Soviet space event support ships indicate that major space events are to be conducted during the next few months. All nine ships of this fleet--including five that were newly converted this year--are moving into support positions in the Mediterranean Sea and in the Atlantic, Indian, and Pacific oceans. The nature of the operations is not yet evident. If successful, they will be exploited for the USSR's 50th anniversary celebrations this fall.

Four of the ships are newly converted from Vytegrales-class timber carriers.

The fifth newly converted ship is a large freighter renamed in honor of Cosmonaut Valdimir Komarov, who lost his life in the flight of Soyuz-1 last April.

The Komarov is large enough to carry the equipment needed to function as a floating communications center. As such, it would significantly enlarge the area over which the Soviets could monitor extravehicular activity, rendezvous and docking, and other spacecraft functioning.

RUSSIAN DEFENSE SPENDING CONTINUES TO RISE

The USSR's defense expenditures this year are expected to top 20 billion rubles--more than \$56 billion in terms of US purchasing power at 1964 prices--and the Soviets may be feeling the pressure. Russian defense outlays since the beginning of 1965 have risen 3.3 billion rubles (about \$7 billion) or at least 1.5 times their rise during the prior decade.

It is unlikely, however, that the Soviets can make drastic reductions. Two of the most significant areas of expense--research and development, and the production and deployment of strategic weapons--require years to complete and would be both difficult and expensive to halt. This year these sectors will absorb almost \$26 billion.

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Two new intercontinental ballistic missile systems, the SS-9 and the SS-11, and the Tallinn defensive missile network are among the principal elements driving up expenditures for strategic weapons. Research and development expenditures--which include those of the space program--are being used for the design and development of more advanced missile systems, nuclear weapons, sophisticated radars, computers and other complicated electronics equipment, new space systems, and improved weapons for conventional warfare.

Although expenditures for general military support functions and for the general purpose forces have been stable since 1960, they have nevertheless permitted a steady modernization of the ground, naval, and air combat forces. Expenditures this year will total about \$30 billion, a significant portion of which will go for aircraft, ships, and other long lead-time items. [REDACTED]

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[REDACTED] a rapprochement with China is a very distant prospect suggests that substantial reductions in expenditures for the general purpose forces will not be possible in the near future.

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PROMINENT CZECH WRITER "DEFECTS" OVER MID-EAST POLICY

The "defection" to Israel of one of Czechoslovakia's leading writers demonstrates the ferment Prague's pro-Arab position in the recent Middle East crisis is causing.

Ladislav Mnacko, who is not Jewish, signed a statement published in the German newspaper, Frankfurter Allgemeine, saying that he could not support "a policy, even if only tacitly, that is aimed at exterminating an entire people and at liquidating a complete nation." In response to Mnacko's actions, the regime has expelled him from the Communist Party and has stripped him of his Czechoslovak citizenship and state decorations.

A prominent Communist idealist, Mnacko is representative of a group of writers who for several years have been advocating sociopolitical reforms in Czechoslovakia. He won international recognition with the publication abroad of his 1966 novel, The Taste of Power, a highly critical account of the Stalinist period in Czechoslovakia.

Many liberal Czechoslovak writers have opposed party di-

rectives calling for a vehement pro-Arab propaganda campaign, and have chafed over this new evidence of Prague's subservience to Moscow. These writers, as well as the public in general, have compared Israel's position with that of Czechoslovakia in 1938, and have expressed admiration for the victory of a small, democratic nation over powerful dictatorships.

Mnacko's protest underscores the widening gulf between the regime and the people in the wake of the Middle East crisis. This situation is likely to have an important impact on the party's assessment of its role in society, reportedly to be made at a central committee plenum tentatively scheduled for September.

The party hierarchy has been preparing to counter the increasingly vocal liberal intellectuals, and will probably use Mnacko's "defection" as a pretext for a hardening of its cultural and, perhaps, other domestic policies. These developments could have a further divisive influence both in and out of the party.

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NEW DEVELOPMENTS IN FRANCE'S SPACE PROGRAM

Paris has announced plans to develop a satellite launch vehicle more powerful than the Diamant A that has been used thus far in France's space program. The new booster is scheduled to launch a 200-pound scientific payload from the French Guiana space center in 1969.

Present plans call for the construction of six vehicles at a cost of about \$20 million. Two will launch French satellites, and the others are to be used to test components of a space booster system being developed by the European Launcher Development Organization.

The Diamant A launched four small satellites weighing between 42 and 88 pounds from the French

space center in Algeria. This site has since been closed in accordance with agreements reached when France granted Algeria its independence, and France must await completion of the French Guiana site before resuming space operations.

Torrential rains and labor problems have delayed construction of the new center. Costs are rising rapidly--the \$25 million allocated this year is more than 60 percent above the sum originally forecast in the 1967 budget. The French are making great efforts to complete the launch site on schedule and recently hired Pan American World Airways to provide technical assistance in the construction work.

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FRENCH PRESIDENT FACING DOMESTIC PROBLEMS

French public opinion polls show a drop from 65 percent in mid-June to 55 percent in late July of those satisfied with De Gaulle as president. The general's popularity rating has been lower at times in the past, but the drop-off this summer tends to confirm other indications that the government is in for a rough time this fall.

Despite widespread opposition from business and labor and even from key ministers, De Gaulle has pushed through decrees that cut back social security benefits and require profit-sharing in approximately 10,000 companies employing 4.5 million workers. In a period of rising unemployment and economic uncertainty, the reforms appear to the French

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worker as unnecessary attacks on his pocketbook--profit-sharing being seen as a device to forestall wage increases--and to businessmen as additional handicaps in the face of increasing competition from abroad.

The Federation of the Left and the Communists have agreed to concert their opposition to the measures, and labor unions are planning a series of strikes. The decrees are subject to retroactive approval by the legislature when the government presents them to the National Assembly sometime before the end of the year. Valery Giscard D'Estaing and his Independent Republicans, who provide the votes needed for a Gaullist majority, will hold the key position in the Assembly. Giscard has indicated his dissatisfaction with the government's position on a number of points, but he probably still feels his best bet is to stick with the government.

Cantonal elections scheduled for September, as well as new

elections to the Assembly in four districts where voting irregularities occurred in the March elections, may provide some limited measure of the popular reaction to the government. In the reruns, the Gaullists are certain to retain the one seat they now hold and also stand an outside chance of picking up two more which the opposition took from previous Gaullist incumbents by only the thinnest of margins.

De Gaulle's radio-TV speech of 10 August seemed aimed at reassuring the public about the wisdom of Gaullist policies. Many observers were critical of the President's failure to deal with specific issues, however, and the speech did little to dispel the current malaise. Although De Gaulle's stand in the Middle East crisis and his Canadian caper have contributed to this discontent, foreign policy considerations will take a back seat to domestic problems this fall and it is on this front that the government must win its battles.

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MIDDLE EAST - AFRICA

The meeting of Arab oil, finance, and economy ministers, which opened in Baghdad on 15 August, is likely to bring out the sharp disagreements between radical and moderate Arabs over sanctions against Israel and those countries that in Arab eyes aided Tel Aviv's victory. Sudan has joined the ranks of Arab states receiving military assistance from the USSR and other Communist countries. Shipments of arms continue to arrive in the area at a moderate rate.

The Shah of Iran will arrive in Washington on 22 August for a brief official visit. Iran publicly supported the Arab cause during the hostilities, but most Iranian officials were privately delighted at Israel's defeat of Egypt, which they consider their archenemy. The staunch Soviet support for Egypt has resulted in some cooling of Iran's relations with the USSR.

A military clash between India and Pakistan in a strategic area along the Kashmir cease-fire line is possible. The Pakistanis refuse to withdraw from eight points along the line that the chief UN military observer decided belong to the Indians. The Indians are moving units to forward positions, but a major conflict is not likely to ensue.

There are reports that the USSR has offered military aid to Congo (Kinshasa) and Nigeria--Africa's two most strife-ridden countries.

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Europeans in the Congo remain nervous following the recent demonstrations in Kinshasa, and many may have decided to leave the country.

In Nigeria, federal forces appear to have checked rebel efforts to move beyond the Mid-West state seized last week. Federal military strength may soon be enhanced by military shipments from the USSR as well as from other foreign suppliers.

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CRISIS ATMOSPHERE SUBSIDING IN MIDDLE EAST

The Arab states continue to try to thrash out a unified position toward Israel, especially on sanctions. In Cairo, more sober heads are now blaming their defeat on poor military planning rather than US "intervention." Soviet arms deliveries to the Middle East continue.

The meeting of Arab oil, finance, and economy ministers opened in Baghdad on 15 August. In his speech at the opening session, Iraqi President Arif urged Arabs to close ranks and use their economies as a weapon in the battle with "Zionism and imperialism." Little is known of what is taking place in the closed sessions, although a sharp disagreement between moderate and radical Arab states is expected. According to press reports, one plan under consideration includes a three-month total embargo on oil exports, the "reappraisal" of Western concessions and facilities in Arab countries, and the withdrawal of all Arab funds from American, British, and West German banks.

In Baghdad itself there are recurring rumors of a possible coup attempt by dissident elements. The Iraqi Government has taken strict security measures, however, and a successful coup attempt seems unlikely.

In Cairo, a militant atmosphere still prevails, although popular resistance groups are no longer seen marching in the streets. "Recruitment" is apparently carried out systematically by a door-to-door neighborhood canvas, and woe to the youth who fails to appear for sessions of training that include instruction in judo and karate. Egyptian Army officers reportedly still prefer to appear in the streets in mufti, although non-commissioned personnel wear their uniforms. There seems to be an increasing disposition among the officers to attribute their defeat to poor estimating and planning at the general staff level rather than to alleged US "intervention." The other side of this coin appears in continuing reports of a massive injection of Soviet military advisers into all levels of the Egyptian military apparatus.

Sudan to Accept
Communist Military Aid

Under the leadership of left-ist-oriented Prime Minister Mohammad Mahjoub, the Sudan is about to join the club of Arab countries receiving military assistance from the USSR and other Communist countries. The Sudan has been dependent in the past on Western sources, primarily West Germany and the UK, but no longer has diplomatic relations with either nation. A

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Sudanese delegation visited Moscow in June, and government officials have now announced agreements for arms, cultural exchanges, and new economic arrangements. The Soviets have also offered to complete two projects that had been initiated by US AID but were suspended when the Sudan broke relations with the US at the time of the Arab-Israeli war.

Mahjoub seems determined to develop his own image as a leader among the radical Arab states. When the Constituent Assembly reconvenes in Khartoum in October, however, Mahjoub could be displaced by Sadiq al-Mahdi, the generally pro-Western leader of the parliamentary opposition, but Sadiq also would probably believe he was compelled to continue the military arrangements with the Soviets.

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NIGERIAN CIVIL WAR INTENSIFIES

The Nigerian civil war is escalating, with intertribal animosities deepening and both sides resorting to more bellicose statements. Federal military strength may soon be considerably enhanced by new arms shipments, including heavy military equipment, now arriving from abroad.

Federal troops are now blocking the major routes leading westward and northward out of the Mid-West, and reportedly have defeated rebel units in a series of sharp border clashes on the main road leading into the Western state toward Lagos. In addition, federal amphibious landings on the Mid-Western coast have given Lagos control over the main channels leading to the Mid-West's only important ports. The federal government has also been able to maintain pressure on the fronts within Biafra despite the withdrawal of two battalions to the Mid-West.

Rebel ground elements, nevertheless, have been able to conduct limited raids into Nigeria's former Northern Region, and wider ranging air attacks by Biafra's small air force have had a disturbing effect on federal troops as well as on civilians.

Evidence that the federal government recently concluded an arms deal with the USSR now seems conclusive. Fifty Soviet technicians are also reportedly to be sent. The Soviet decision

to supply arms and technicians probably resulted from a belief that Lagos will ultimately prevail in the war. In addition, Moscow has undoubtedly taken note of the support for Nigerian unity voiced by most African governments.

Four more Czech jet aircraft have arrived in Lagos by sea to add to the two now being flight-tested by the Nigerian Air Force at Kaduna. Lagos probably has also acquired two British-made armed jet trainers from the Sudanese Government.

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Rebel control of the Mid-West has somewhat eased the effects of the federal blockade on Biafra. Sufficient Mid-Western foodstuffs, spare parts, and raw materials reportedly are available to end most shortages, at least temporarily.

Biafran leader Ojukwu on 17 August named a Mid-Western officer to head an "interim" administration there ostensibly independent of both Biafra and the federal government. In addition to bidding for wide local support, this arrangement seems designed to persuade the Yorubas in the Western state to withdraw

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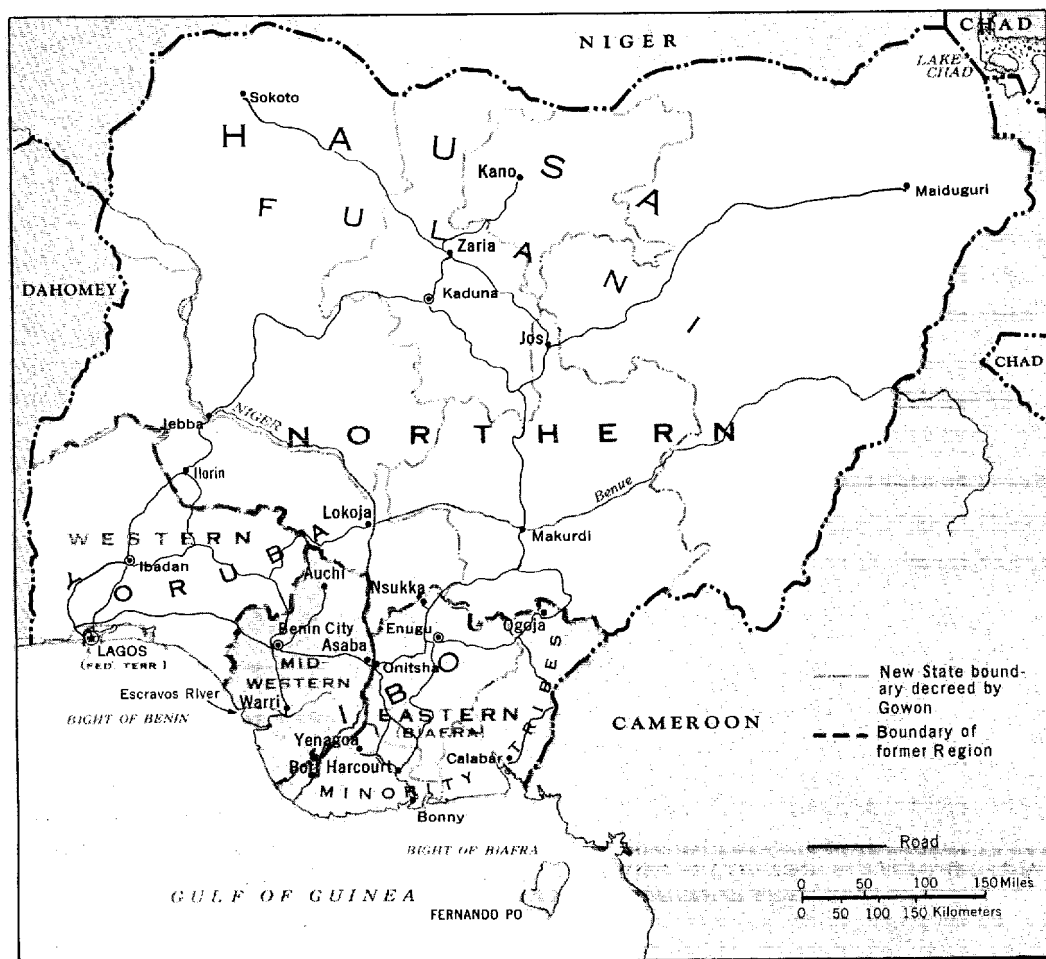
their support from the northern-dominated federal government.

Some Yoruba politicians have been sympathetic to, if not actually supporting, the idea of aligning southern "progressives" against the north. The top Yoruba leader, Chief Awolowo, has issued a strong statement calling on all Yorubas to support the Lagos government. Awolowo--who is also the senior civilian in the federal government--has been under intense pressure from both sides, however, and could quickly reverse his position if he believes federal forces are losing. For the moment, though

his statements appear to have dampened Yoruba plotting.

Tribal violence has flared again, with atrocities being committed by both sides. Northern soldiers have attacked Eastern and Mid-Western Ibos residing in the Lagos and Western states. Some Hausas resident in the Mid-West have suffered in turn at the hands of Biafran and Mid-West Ibo soldiers. Should further disintegration of the federation occur, tribal violence could reach more serious proportions.

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VIOLENCE THREATENS WHITES IN CONGO

The violence in Kinshasa during the past week has added to the nervousness of Europeans throughout the country and has further set back Congolese-Belgian relations.

The orders to demonstrate in front of the Belgian Embassy were given by President Mobutu apparently only after repeated requests from members of his political party, the Mouvement Populaire de la Revolution (MPR). Mobutu claims to have been astonished that the mob got out of control and did extensive damage to the embassy. He has ordered all MPR meetings canceled until further notice and stated that demonstrations will no longer be allowed. Mobutu, who personally led the crowds away from the US Embassy, was considerably shaken by the fact that only he could control such a mob.

Only a few Europeans and Americans were injured during the demonstrations, but whites throughout the country were visibly upset. The 25,000 Belgians in Kinshasa have not been instructed to evacuate by officials in Brussels, although many dependents are preparing to leave within the next few days. Mobutu, however, knows that the large Belgian community is vital to the Congo's economy and probably will not permit a mass exodus. Europeans in Katanga, already nervous about

reports that the mercenaries in Bukavu may move south, also are anxious to leave, and many are expected to flee across the border to Zambia.

The sacking of the Belgian Embassy, and the anti-Belgian sentiments voiced by Mobutu and other Congolese officials, may revive last month's pressures in Brussels for a drastic withdrawal from the Congo. Foreign Minister Harmel returned hastily from vacation on 14 August, and the Belgian Foreign Ministry consulted with US, British, French, and Italian diplomats on possible evacuation plans.

Even before this week's events, the status of the Belgian aid program in the Congo was in doubt. Brussels decided three weeks ago to continue a somewhat truncated aid program provided Mobutu agreed to certain conditions, primarily intended to guarantee the security of Belgian personnel. Although Mobutu was agreeable to some conditions, his response on others was not satisfactory to Brussels.

Realizing its area of maneuver is limited, however, Brussels will probably again resist the temptation to disengage, and will decide to continue working with the US and other interested governments to excise the mercenary cancer.

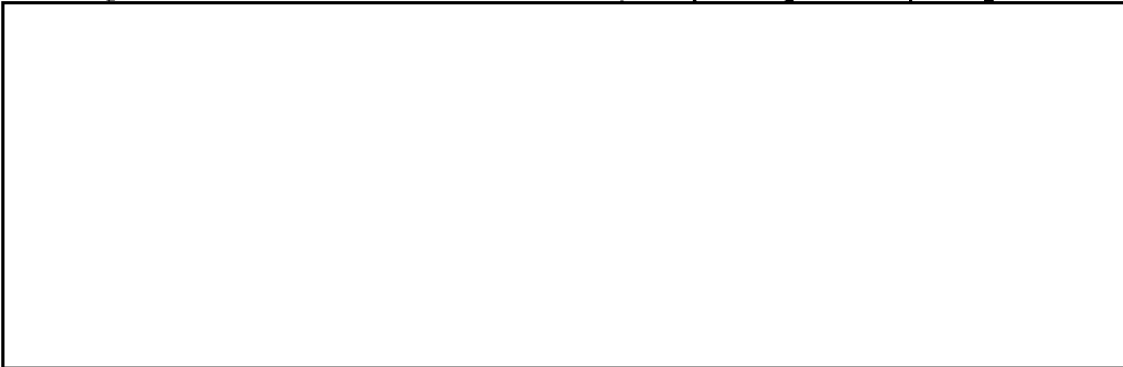
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WESTERN HEMISPHERE

Insurgency-related developments continue to dominate the scene in several Latin American countries in the wake of the Latin American Solidarity Organization conference that closed in Havana last week.

The threat of future insurgency problems is plaguing officials of several hemisphere governments.



Reverses which may well prove temporary have recently been suffered by insurgents in two of the four Latin American countries where Castro's assistance has been heaviest. Military pressure in Guatemala has decimated the ranks of the Communist guerrillas who have long been active there and is forcing them to concentrate on recruiting, reorganizing, and relocating their operations. In Bolivia, the army reported the discovery of several guerrilla supply caches and recently claimed a victory in a clash with guerrillas that produced no army casualties.

In the Caribbean, the "minicrisis" involving the island of Anguilla remains unresolved. The British are sending a frigate with a contingent of Marines to the vicinity within the next two weeks, evidently in hopes that a show of force will cow the Anguillans into ending their three-month rebellion against being governed from the neighboring island of St. Kitts.



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ARGENTINA PREPARES ANTI-COMMUNIST LAW

After more than a year of discussion, the Ongania government appears finally ready to publish a law that will restrict Communist influence in various facets of Argentine life. One of the major reasons for the coup last year was the army's belief that the previous government had been soft on Communism and that Communists had infiltrated the nation's schools, businesses, and even government.

To prepare the public for the new law, a government spokesman released a statement early this month describing in ambiguous terms some of the provisions of the pending decree. The law will prevent anyone termed "Communist" by the government from holding public office, including teaching jobs and union posts. The spokesman made a point of comparing the law to the US Subversive Activities Control Act of 1950, in an apparent effort to protect the government from the anticipated storm of criticism.

Although it is not yet clear which of several drafts has been used as the basis for the final

version of the law, it now seems likely that General Eduardo Senorans, head of the National Intelligence Service and author of the most repressive of the drafts, will figure significantly in the operation of the government bodies that will decide on application of the law. The hard-line ultranationalist Senorans has been able to retain his influence with Ongania while some other conservatives have been eased out of their jobs. Senorans is reportedly pleased with the law and has already instructed his subordinates to draw up plans to implement it.

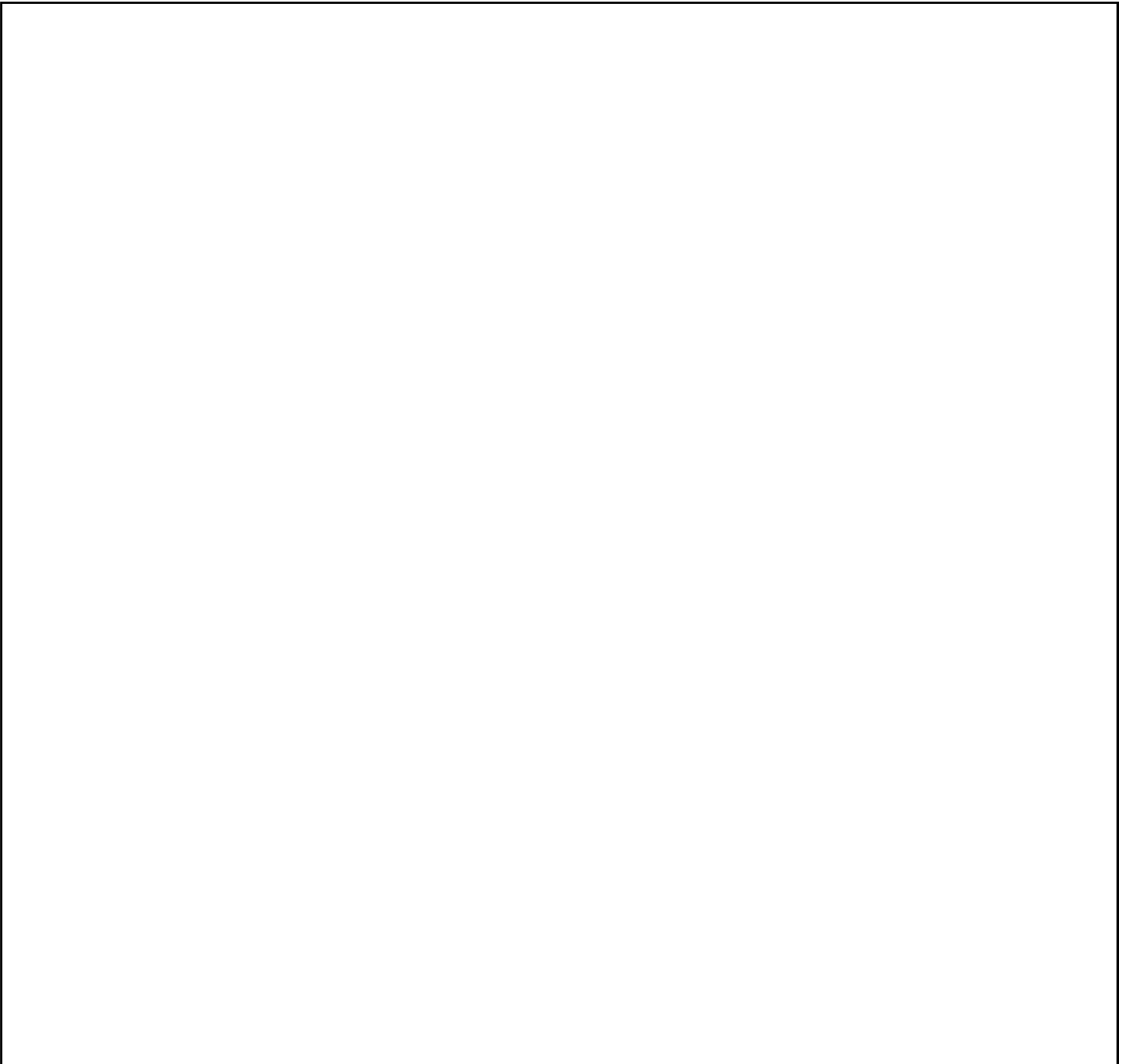
It is still uncertain when the new law will be put into effect--and the Ongania government is not noted for its speed in such matters. Nevertheless, application of the law will inevitably stimulate new charges of authoritarianism, especially from abroad. Such a development may partly offset the prestige the government has won through its successful start on an economic stabilization program.

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URUGUAY'S ECONOMIC AND POLITICAL PROBLEMS GETTING WORSE

Uruguay's economic and political problems are getting worse, and no basic solution is in sight.

The government has rejected the program of economic reform proposed by the International Monetary Fund and has refused to carry out effective devaluation although pressure on the peso is mounting.

Strikes and Communist agitation among government workers have forced President Gestido to propose salary increases despite his stated intention to hold the line on wages. Although the Communists' current tactic is to urge the unions to accept the government's offer, mounting inflation combined with the Communists' desire to keep the government off balance may in time bring on new strikes.

The cost of living rose a record 16 percent in the month of July and is well on the way to a 100-percent increase for the year. Stop-gap economic measures adopted thus far are not likely to alter this trend or to restore the confidence of international lending organizations.

The governing Colorado Party is still divided, and Gestido has made no new move to bring its most powerful sector back into the cabinet. As a result, he may have to negotiate for opposition support to get legislation through Congress. As conditions worsen, Gestido may become frustrated enough to attempt to govern by decree or else try to "go to the people" with new elections, a step permitted by the constitution under certain circumstances.

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